

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Athletic Department
Northwestern State University
State of Louisiana
Natchitoches, Louisiana

June 20, 2001



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA
Natchitoches, Louisiana**

Financial Statement and
Independent Auditor's Reports
For the Year Ended June 30, 2000

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

June 20, 2001

**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA**

Financial Statement and
Independent Auditor's Report
For the Year Ended June 30, 2000

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OFFICE OF
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STATE OF LOUISIANA
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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

April 24, 2001

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Independent Auditor's Report
on the Financial Statement

DR. RANDALL J. WEBB, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA
Natchitoches, Louisiana

We have audited the accompanying statement of revenues and expenditures of the Northwestern State University Intercollegiate Athletics Program, a program within Northwestern State University for the year ended June 30, 2000. This financial statement is the responsibility of management of Northwestern State University. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the statement of revenues and expenditures referred to above presents only the financial transactions of the Northwestern State University Intercollegiate Athletics Program, a program within Northwestern State University. As such, the financial statement is not intended to and does not present fairly the financial position and changes in fund balances of Northwestern State University in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and expenditures of the Northwestern State University Intercollegiate Athletics Program for the year ended June 30, 2000, in conformity with accounting principles generally accepted in the United States.

We have also issued reports dated April 24, 2001, on our consideration of the Northwestern State University Intercollegiate Athletics Program internal control and our report on minimum agreed-upon procedures.

Respectfully submitted,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

BAC:WJR:PEP:ss
[NSUNCAA0]

**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA**

**Statement of Revenues and Expenditures
For the Year Ended June 30, 2000**

	(PORTION OF) CURRENT FUNDS		
	UNRESTRICTED GENERAL FUND	RESTRICTED - AUXILIARY ENTERPRISE FUND	TOTAL (MEMORANDUM ONLY)
REVENUES			
Season tickets		\$104,080	\$104,080
Gate receipts		68,102	68,102
State General Fund transfer	\$108,583	1,964,029	2,072,612
Guarantees		300,186	300,186
Outside funds (note 2)		726,123	726,123
Payments in-kind (note 3)		88,934	88,934
Conference distribution		202,010	202,010
Sports camp fees		72,548	72,548
Other		56,928	56,928
Total revenues	<u>108,583</u>	<u>3,582,940</u>	<u>3,691,523</u>
EXPENDITURES			
Personal services:			
Coaches' salaries		701,608	701,608
Other salaries	261,349	265,963	527,312
Related benefits	47,033	186,540	233,573
Loan cars		38,260	38,260
Travel		282,675	282,675
Operating services		391,965	391,965
Supplies		323,899	323,899
Fund raisers		114,872	114,872
Professional services		231,136	231,136
Other charges:			
Awards		9,389	9,389
Guarantees		34,100	34,100
Scholarships		745,229	745,229
Cultivation		41,222	41,222
Demon sports network		12,726	12,726
Entertainment and promotions		48,906	48,906
Other		95,981	95,981
Equipment		86,311	86,311
Capital projects		86,456	86,456
Total expenditures	<u>308,382</u>	<u>3,697,238</u>	<u>4,005,620</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(\$199,799)</u>	<u>(\$114,298)</u>	<u>(\$314,097)</u>

The accompanying notes are an integral part of this statement.

**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA**

Notes to the Financial Statement
For the Year Ended June 30, 2000

INTRODUCTION

Northwestern State University is a publicly supported institution of higher education. The university is a component unit of the State of Louisiana within the executive branch of government. Northwestern State University Athletic Department is a part of Northwestern State University. The accompanying financial statement presents information only as to the transactions of the Northwestern State University Athletic Department.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FUND ACCOUNTING

To observe limitations and restrictions placed on the use of available resources, the accounts of Northwestern State University are maintained in accordance with the principles of fund accounting. Such principles prescribe the manner in which resources for various purposes are classified, for accounting and reporting purposes, into funds that are in accordance with the activities or specified objectives. Accounts are maintained for the transactions of the athletic department as follows:

Current Funds

Current funds are operating funds that will be expended in the near future. Such funds have two basic subgroups, unrestricted and restricted. Unrestricted current funds include all funds for operating purposes on which there are no restrictions, except the budgetary control provisions included in the annual legislative appropriation act. The General Fund includes salary charges related to the athletic department budgeted and paid with General Fund resources. The Auxiliary Enterprise Fund includes the operating accounts of the athletic department. Restricted current funds represent those funds on which restrictions have been imposed to limit the purposes for which such funds can be used.

B. BASIS OF ACCOUNTING

The accounts of the athletic department are maintained on the accrual basis of accounting as follows:

**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA**
Notes to the Financial Statement (Continued)

Revenues

Substantially all revenues are recognized when earned.

Expenditures

Expenditures are recognized under the accrual basis of accounting when incurred, except that (1) depreciation is not recognized; (2) annual and sick leave are recognized when paid; (3) summer school fees and faculty salaries and related benefits for June are not prorated but are deferred to the succeeding year; and (4) inventories of the General Fund are recorded as expenditures at the time of purchase.

C. EMPLOYEE COMPENSATED ABSENCES

Employees of the university working in the athletic department earn annual and sick leave in accordance with state law and administrative regulations. Leave benefits are reflected in the accompanying statement when paid. These leave benefits are accrued and reported in the general purpose financial statements of Northwestern State University but are not accrued for reporting purposes in Statement A since compensated absences are not reportable at the department level and are deemed immaterial.

D. TOTAL COLUMN ON STATEMENT

The total column on Statement A is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present results of operations in conformity with accounting principles generally accepted in the United States. Neither is such data comparable to a consolidation.

2. CONTRIBUTIONS FROM OUTSIDE ORGANIZATION

Included on Statement A are expenditures made for or in behalf of the athletic department by the Northwestern Athletic Association as follows:

**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA**
Notes to the Financial Statement (Continued)

Personal services	\$28,566
Travel	20,091
Operating services	251,547
Supplies	142,576
Professional services	18,167
Fund raisers	114,872
Equipment	65,806
Capital projects	<u>84,498</u>
Total	<u><u>\$726,123</u></u>

3. PAYMENTS-IN-KIND FROM OUTSIDE ORGANIZATIONS

The following is a summary of payments-in-kind received and reported as revenues and expenditures on Statement A:

Loan cars	\$38,260
Travel	2,797
Supplies	16,119
Operating services	22,258
Equipment	<u>9,500</u>
Total	<u><u>\$88,934</u></u>

4. PENSION PLANS

Plan Description. Substantially all employees of the university are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana

**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA**
Notes to the Financial Statement (Continued)

70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44123, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the university are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in Louisiana Revised Statute (R.S.) 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 15.2% of covered salaries to TRS and 12.3% of covered salaries to LASERS. The university's employer contribution is funded by the State of Louisiana through the annual appropriation to the university. The athletic department's employer contributions to TRS for the years ended June 30, 2000, 1999, and 1998, were \$66,372, \$56,786, and \$54,599, respectively, and to LASERS for the years ended June 30, 2000, 1999, and 1998, were \$28,797, \$12,939, and \$11,575, respectively, equal to the required contributions for each year.

5. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the university are 15.2% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system.

The athletic department's contributions to the optional retirement plan for the years ended June 30, 2000, 1999, and 1998, were \$58,974, \$60,896, and \$49,655, respectively, equal to the required contributions for each year.

**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA**
Notes to the Financial Statement (Concluded)

**6. OUTSIDE ORGANIZATION CREATED FOR
OR IN BEHALF OF THE NORTHWESTERN STATE
UNIVERSITY INTERCOLLEGIATE ATHLETICS
PROGRAM**

The only outside organization created for or in behalf of the Northwestern State University Intercollegiate Athletics Program is the Northwestern Athletic Association. The accounts for this association are maintained within the Northwestern State University Foundation, Incorporated, which is a separate corporation audited by an independent certified public accounting firm.

**7. CONTRIBUTIONS FROM OUTSIDE ORGANIZATIONS
IN EXCESS OF TEN PERCENT OF TOTAL CONTRIBUTIONS**

Stephen L. Stroud owner of Phoenix Gas Liquids made cash contributions totaling \$107,524 for the year ended June 30, 2000. This is the only contribution to the university during the fiscal year that exceeded 10% of total contributions.

OTHER REPORTS REQUIRED BY
NCAA FINANCIAL AUDIT GUIDELINES

The following pages contain reports on internal control and agreed-upon procedures required by *NCAA Financial Audit Guidelines*, issued by the National Collegiate Athletic Association. The report on internal control is based solely on the audit of the financial statement and includes, where appropriate, any reportable conditions or material weaknesses. The report on agreed-upon procedures relates only to the items discussed and is substantially less in scope than an audit.



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

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April 24, 2001

Independent Auditor's Report on Internal Control
Based Solely on an Audit of the Athletic Department's
Statement of Revenues and Expenditures

DR. RANDALL J. WEBB, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA
Natchitoches, Louisiana

We have audited the statement of revenues and expenditures of the Northwestern State University Intercollegiate Athletics Program, a program within Northwestern State University, for the year ended June 30, 2000, and have issued our report thereon dated April 24, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

In planning and performing our audit of the statement of revenues and expenditures of Northwestern State University Athletic Department for the year ended June 30, 2000, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on internal control. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information and use of the management of Northwestern State University and is not intended to be used by anyone other than management of the university. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in cursive script, reading "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

BAC:WJR:PEP:ss
(NSUNCAA0)

EXHIBIT A



OFFICE OF
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April 24, 2001

Independent Auditor's Report on
Minimum Agreed-Upon Procedures

DR. RANDALL J. WEBB, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA
Natchitoches, Louisiana

We have audited the statement of revenues and expenditures of the Northwestern State University Intercollegiate Athletics Program, a program within Northwestern State University, for the year ended June 30, 2000, and have issued our report thereon dated April 24, 2001. As requested by the university, we have also applied certain agreed-upon procedures contained in the *NCAA Financial Audit Guidelines* related to outside organizations created for or in behalf of the university's Intercollegiate Athletics Program for the year ended June 30, 2000, solely to assist the university in complying with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of management of Northwestern State University. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are as follows:

1. We obtained written representation from management of the university that the Northwestern State Athletic Association, a part of the Northwestern State University Foundation, Incorporated, was the only outside organization created for or in behalf of the athletic department.
2. We obtained from representatives of the outside organization the statement of cash receipts and disbursements with a written representation as to the fair presentation of the statement. We compared the cash disbursements made by the outside organization for or in behalf of the athletic department to the revenues reported on the university's Statement of Revenues and Expenditures (Statement A) and identified any reconciling items.

We found no exceptions as a result of this comparison.

LEGISLATIVE AUDITOR

**DR. RANDALL J. WEBB, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
STATE OF LOUISIANA**

Agreed-Upon Procedures Report

April 24, 2001

Page 2

3. We compared the direct payments of outside organizations to the university with the revenues reported on the university's Statement of Revenues and Expenditures (Statement A) and identified any reconciling items.

We found no exceptions as a result of this comparison.

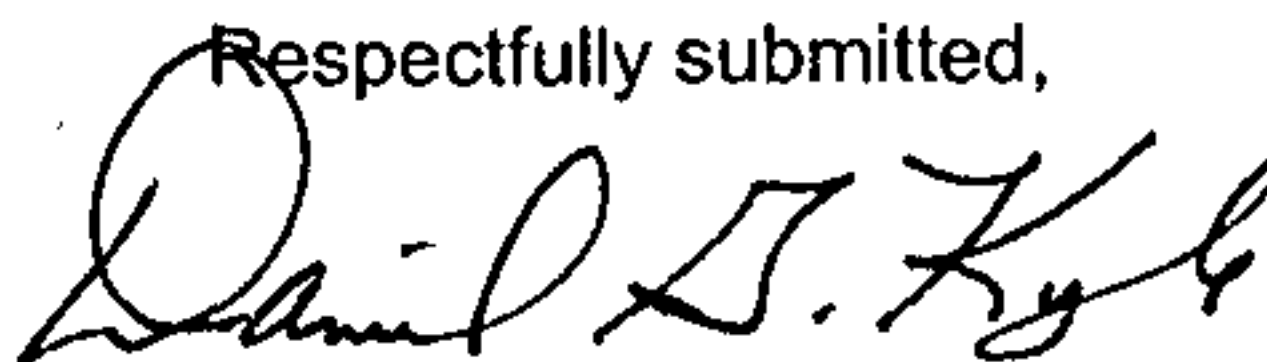
4. We obtained the independent auditor's report for the outside organization to identify any reportable conditions relating to the outside organization's internal control and made inquiries of management to document any corrective action taken in response to the reportable conditions.

The financial statements of the Northwestern State University Foundation, Incorporated, were audited by an independent certified public accounting firm for the year ended June 30, 2000. The audit report is dated October 2, 2000, and included no reportable conditions relating to the outside organization's internal control.

Because these procedures do not constitute an audit made in accordance with auditing standards generally accepted in the United States, we do not express an opinion on any of the accounts or items referred to previously. Had we performed additional procedures or had we made an audit of the financial statements of the related outside organization in accordance with auditing standards generally accepted in the United States, matters might have come to our attention that would be reported to you. This report relates only to the accounts and items specified previously and does not extend to any financial statements of Northwestern State University or the related outside organization taken as a whole.

This report is intended for the information and use of the management of Northwestern State University and is not intended to be used by anyone other than management of the university. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

BAC:WJR:PEP:ss

[NSUNCAA0]